



Motion Picture Association of America, Inc.

NEWS RELEASE

EXHIBIT

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Valenti

**VALENTI CALLS ON SENATE COMMITTEE TO RATIFY WIPO TREATIES
PROTECTING U.S. INTELLECTUAL PROPERTY**

Contact: Phuong Huynh
(202) 293-1966

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Washington, DC – Calling intellectual property “America’s grandest trade prize...worthy of the enduring support and protection of this nation,” Motion Picture Association of America President and Chief Executive Officer Jack Valenti today appealed for passage of the World Intellectual Property Organization (WIPO) Treaties.

In testimony before the Senate Foreign Relations Committee, Valenti labeled the pending legislation “an anti-crime, anti-theft treaty.” The treaties would obligate signatory nations to update national copyright laws to cope with the digital environment. In May the Senate approved WIPO legislation by a 99 to 0 vote. On July 29, the House followed suit, unanimously passing its version of the implementing legislation. The legislation now moves to conference to shape the final bill.

Valenti called on the Committee to ratify the overall treaty “thereby offering intellectual property the full weaponry of the law to protect its voyages in cyberspace from thieves who have previously determined that stealing creative works is very rewarding and very low risk.”

The MPAA leader catalogued figures illustrating the worth of the core copyright industries (motion pictures, television programs, home video, music, books and computer software) to the overall U.S. economy. Said Valenti, “in 1996 these industries contributed an estimated \$278.4 billion to the U.S. economy, accounting for 3.65% of the Gross Domestic Product. The real annual growth of the copyright industries has been more than double the growth rate of the economy as a whole.”

Valenti summarized the economic value of these industries by declaring the copyright industries have gathered foreign sales and exports of \$60.18 billion. More than agriculture. More than automobiles and auto parts. More than aircraft.”

He emphasized the great potential for future communications and entertainment saying “the exploration of the Internet and digital horizons appear to be limitless.” However Valenti cited Emerson’s doctrine that “for every gain there is a loss and for every loss

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there is a gain," as a means of articulating the threat of unchecked digital piracy. Said Valenti, "within the glittering potential of the Internet lies the darker forms of thieves who, armed with magical new technology, are capable of breaking-and-entering conventional barriers to steal copyrighted material borne to the Internet by just about anybody with a working computer."

Without WIPO, said Valenti, "America's largest economic asset would be put to peril, blighted by new technology so beneficial, and yet so corrosive if copyright owners are unable to protect their private property. This is not an acceptable road to the future."

The threat of digital piracy "will make today's piracy problems seem almost saintly," predicted Valenti. "A single thief in an unprotected digital environment can be a big-time, full-fledged distributor of illegal product."

Valenti also noted that the threat is not a hypothetical one saying "even with today's Internet, which will look positively primitive in the years to come, I have seen pirated copies of films as current as "Mulan" and Steven Spielberg's landmark epic "Saving Private Ryan," available for downloading."

In conclusion, Valenti cautioned against the U.S. leaving fundamental principles behind as the nation rushes into the digital future, saying "the transition to cyberspace ought not and must not collapse and destroy the basic American value of private property."

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***PROTECTING AMERICA'S
GRANDEST TRADE PRIZE***

Comments by
Jack Valenti
President & Chief Executive Officer
Motion Picture Association of America, Inc.

Before the
Senate Foreign Relations Committee

On
WIPO Copyright Treaties Implementation Act
and the Online Copyright Liability Limitation Act

September 10, 1998

On December of 1996, representatives from over 160 nations gathered in Geneva and out of the babel of so many varying opinions, they all agreed to the World Intellectual Property Organization Treaties.

One treaty dealt with phonogram performers and audio performers' rights. The other treaty lifts the level of copyright protection in every country signing the treaty. In short, it obligates signatory countries to update national copyright laws to cope with the digital environment. And more importantly, it compels them to enforce those laws by efficiently and swiftly prosecuting digital thieves who pilfer the creative works of others. Not surprisingly the largest beneficiary of this WIPO document is the United States, the most dominant force in intellectual property throughout the world.

In May of this year, the U.S. Senate passed the Digital Millennium Copyright Act, implementing the WIPO treaties by a 99 to 0 vote. On July 29, the House unanimously passed a companion measure after careful study and approval by both the Judiciary and Commerce Committees. This legislative action by both Senate and House now moves to Conference to shape the final design.

Now, the Senate Foreign Relations Committee has the responsibility to ratify the treaty, completing the journey of the WIPO treaty through the Congress of the United States, thereby offering intellectual property the full weaponry of the law to protect its voyages in cyberspace from thieves who have previously determined that stealing creative works is very rewarding and very low risk. We aim to turn that felonious design on its head.

First the numbers. The core copyright industries, and by that I mean motion pictures, television programs, home video, music, books, and computer software are immense contributors to our nation's economy.

In 1996, these industries contributed an estimated \$278.4 billion to the U.S. economy, accounting for 3.65% of the Gross Domestic Product.

The real annual growth of the copyright industries has been more than double the growth rate of the economy as a whole.

From 1977 to 1996, the job growth in the copyright industries was nearly three times the employment growth for the economy as a whole.

And surely the most impressive array of fiscal arithmetic is located in this fact: This nation's copyright industries have gathered foreign sales and exports of \$60.18 billion. More than agriculture. More than automobiles and auto parts. More than aircraft. It can all be summed up in one simple sentence: **Intellectual property is America's grandest trade prize, a triumphant economic and creative achievement worthy of the enduring support and protection of this nation.**

Why is it necessary to act now in both the passage of implementing legislation and ratifying the treaty? Because we are grazing the outer entering edge to a new world filled with

instant information and entertainment: The exploration of the Internet and digital horizons which, at this moment, appear to be limitless.

Like Emerson's doctrine that "for every gain there is a loss and for every loss there is a gain," within the glittering potential of the Internet lies the darker forms of thieves who, armed with magical new technology, are capable of breaking-and-entering conventional barriers to steal copyrighted material borne to the Internet by just about anybody with a working computer. Without protective sinews in place, without rules of the game enforced by law, America's largest economic asset would be put to peril, blighted by new technology so beneficial, and yet so corrosive if copyright owners are unable to protect their private property. That is not an acceptable road to the future. That is the central and most commanding reason why this Committee should ratify the treaty. Updated international standards for copyright protection, as the WIPO treaties provide, are part of the solution to this problem.

While ratification requires only minimum changes to U.S. existing law, it compels nations around the world to raise their minimum standards to meet those of the United States. Stated simply, clearly, this is an anti-crime, anti-theft treaty.

We must not forget that the Geneva assembly placed a two-year deadline during which at least 30 nations must ratify the treaties. The world is watching and waiting to see what the U.S. does. If we, with so much at stake, do not move to ratify, what possible incentive do other nations have for taking similar action?

The U.S. film industry, the most successful on this planet, currently confronts ceaseless thievery around the globe. We have made great headway but the war rages on. Our successes come primarily because the pirates today must cope with formidable distribution problems. Physical copies of a film must be obtained and then smuggled across borders and parceled out to distributors before reaching the ultimate consumer.

But digital networking will make today's piracy problems seem almost saintly. A pirate master will be digitized, posted on the Web, and made available to users of the Internet all over the world. Or the master can be used to make an infinite number of pristine copies (take note: the 1,000th digital copy is as pure in quality as the first copy, which is not so in analog where copying degrades quality). A single thief in an unprotected digital environment can be a big-time, full-fledged distributor of illegal filmed product. This is not simply a question of domestic theft. Entrepreneurial criminals around the globe are shamelessly excited by the prospect of enlarging riches, ready for the next technological advance that enables easy transfer of digitized movies. Even with today's Internet, which will look positively primitive in the years to come, I have seen pirated copies of films as current as "Mulan" and Steven Spielberg's landmark epic "Saving Private Ryan," available for downloading. The transition to cyberspace ought not and must not collapse and destroy the basic American value of private property. You will be pleased to note that within the implementing legislation are special protections for libraries, schools, and other nonprofit institutions. "Fair use" remains unchanged. Legitimate devices are unaffected; the language focuses specifically on illegitimate devices aimed at circumventing technologies used to protect creative works online.

I hope that his Committee will feel the sure pride that comes to lawmakers when they put their legislative imprint on something with so much benefit to America's advance into the digital age.